

OPERATIONS

PRODUCTION

Tonnage milled during 1979 was 294,181, approximately the same as the 1978 level of 296,560. The source of feed was 68% from the Lynx mine and 32% from the Myra workings as compared to the 1978 production of 64% and 36% respectively. The concentrator operated 314 days which was one more than the previous year. Mill recoveries were improved for copper and zinc while lead was a shade lower. The head grade for all metals was higher except silver which declined from 4.08 ounces per ton to 3.82 ounces. Concentrate tonnages produced were copper 11,525 (11,373), lead 7,462 (7,464) and zinc 40,307 (40,012).

As mentioned above, more production was achieved from the Lynx mine. At year end, there were 12 stopes operating in the "G" zone, an increase from nine a year ago. The initial production from the "S" zone commenced during the year and two stopes were operating with five more in an advanced development stage.

OPERATING COSTS

Operating costs increased to \$43.03 per ton compared to the 1978 level of \$36.24. Additional development work accounted for \$2.11 of this increase. Unusual expenses were incurred in connection with the Hydro plant as the penstock was damaged and required extensive repairs. Also rain and snowfall was below normal which necessitated the utilization of higher than expected diesel generated power. Other departments experienced normal inflationary increases.

A new two year collective bargaining agreement effective October 1, 1979, was signed with the Canadian Association of Industrial, Mechanical and Allied Workers union. At year end there were 272 employees at the Buttle Lake site.

ORE RESERVES

During 1979, 165,000 tons of new ore reserves were found, principally in the "S" zone of the Lynx mine. Proven ore reserves as at January 1, 1980 were:

	Tons	Gold oz/ton	Silver oz/ton	Copper %	Lead %	Zinc %
Lynx	866,000	0.07	2.5	1.2	0.9	8.5
Myra	278,000	0.10	6.1	0.8	1.5	6.4
	1,144,000	0.08	3.4	1.1	1.0	8.0
Proven ore reserves as of January 1, 1979 were:	1,272,940	0.09	3.8	1.2	1.2	8.0

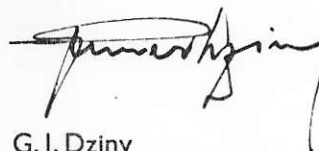
DEVELOPMENT

Underground horizontal and vertical development and diamond drilling were all substantially above the 1978 totals. Horizontal advance was 8,068 feet (3,981) plus an additional 1,440 feet in the Price mine, 9-level adit. Vertical advance was 4,125 feet (3,463). Underground diamond drilling was 60,873 feet (47,297).

A 1.5 mile access road to Price 9-level was completed in May. The adit was collared in May and the drift was advanced 1,440 feet by year end. A 1.8 mile extension of the road was put through to the Price 5-level portal site in the latter part of the year. Drifting will start when weather conditions permit.

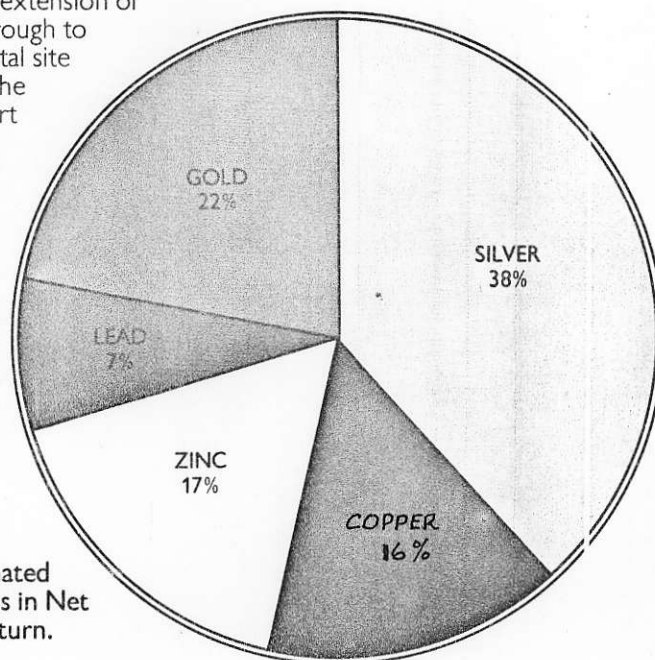
ENVIRONMENTAL CONTROL

Monitoring of tailings discharge, mine drainage, lake water and fish throughout the year indicated no detrimental effects on the water quality of Buttle Lake.



G. I. Dziny

Vice-President, Mines



1979 Estimated
Value of Metals in Net
Smelter Return.

FINANCIAL REPORT

Earnings before extraordinary items were a record \$12.1 million or \$2.23 per share. After extraordinary items earnings were \$12.5 million (\$2.31). Higher metal prices, particularly gold and silver in the fourth quarter, were the main factors of this performance. Cash flow from operations was \$17.3 million (\$3.19). Dividends of \$1.1 million or 20c per share were paid. Year end working capital was \$10.9 million.

In the fourth quarter significant investments were made in two attractive opportunities in the Canadian petroleum industry. The cost of our investment was \$22.8 million and was financed in part by earnings and part by temporary bank borrowings. The bank borrowings relating to these investments have now been repaid.

With our entry into the petroleum business the full cost method of accounting was adopted. Basically all costs associated with the exploration for and development of oil and gas

reserves are capitalized by area of interest. These costs will be written off on a unit-of-production basis on total estimated reserves.

The tax provision for the year was \$13.5 million of which \$3.9 million was in deferred taxes. The effective tax rate on consolidated income was 53%. Of our provision approximately 60% relates to Provincial income and mining taxes and the balance Federal income taxes.



R. A. Mitchell
Treasurer

